



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

December 18, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

6 January 22, 2013

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

**APPROVAL OF APPROPRIATION ADJUSTMENT,
APPROVAL TO USE COMMERCIAL PAPER AND ADOPTION OF
REIMBURSEMENT RESOLUTION FOR THE
ELECTRONIC HEALTH RECORD INFORMATION SYSTEM
(ALL SUPERVISORIAL DISTRICTS) (4 VOTES)**

SUBJECT

Approval of a Fiscal Year 2012-13 appropriation adjustment for the Department of Health Services, issuance of Commercial Paper to fund \$359.0 million of Electronic Health Record Information System Project expenses and adoption of a reimbursement resolution.

**JOINT RECOMMENDATIONS WITH THE DIRECTOR OF HEALTH SERVICES THAT
THE BOARD:**

1. Approve the appropriation adjustment for Fiscal Year 2012-13 to account for the bond proceeds and the corresponding appropriation authority in order to pay for the anticipated Electronic Health Record Information System Project expenses in Fiscal Year 2012-13.
2. Approve the issuance of Commercial Paper in an aggregate amount not-to-exceed \$359.0 million to fund costs of the Electronic Health Record Information System Project.

"To Enrich Lives Through Effective And Caring Service"

*Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only*

Approved by

the Board at 3.
the meeting of
12-18-12

~~Adopt the "Resolution of the Board of Supervisors of the County of Los Angeles
Declaring its Intention to Reimburse Certain Capital Expenditures from the
Proceeds of Taxable or Tax-Exempt Obligations (Electronic Health Record
Information System)."~~

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The Board approved an agreement with Cerner Corporation (Cerner) on November 27, 2012, for the provision of an electronic health record system for the Department of Health Services (DHS). To avoid confusion with the County's existing EHR time collection system, we will refer to the new DHS record system as the Electronic Health Records Information System (EHRIS) moving forward. In the same action on November 27, 2012, the Board authorized DHS to fill 55 new Full-Time Equivalent (FTE) positions to implement and deploy the EHRIS. At that time, DHS informed the Board that the department would return before the December 21, 2012 effective date of the agreement to request a Fiscal Year (FY) 2012-13 appropriation adjustment to account for the Commercial Paper proceeds and the corresponding appropriation authority in order to pay for the anticipated project expenses in FY 2012-13 of the EHRIS. Approval of the recommendations will:

- provide the authorization to utilize Commercial Paper borrowing to fund the expenses of the EHRIS;
- enable reimbursement of expenses initially funded with net County cost using Commercial Paper proceeds, if any;
- allow a new fund and accounts to be established under a new Capital Project Special Fund and the creation of a new budget unit in DHS for the EHRIS for monitoring and tracking purposes; and,
- provide the authority for a FY 2012-13 appropriation adjustment to increase revenue for the Commercial Paper proceeds from the financing and the corresponding appropriation authority by \$67.9 million for the first fiscal year only of the total EHRIS cost.

The first fiscal year costs include Cerner contract initiation and first year contract cost, funding for the 55 new FTE positions previously approved by the Board, funding for Subject Matter Experts (SMEs), County infrastructure requirements to support EHRIS, County Pool Dollars, and a forthcoming consulting services agreement for assistance with EHRIS implementation.

The \$359.0 million EHRIS will be completed in two stages over five years. The total system development costs are estimated at \$359.0 million, consisting of approximately \$253.1 million spent through the first three years (through FY 2014-15), and \$105.9 million during years 4 and 5 (FY 2015-16 and FY 2016-17). The initial system

modules for Harbor-UCLA Medical Center, Martin Luther King Jr., Multi-purpose Ambulatory Care Center (MACC) and LAC+USC Medical Center will be completed by the end of FY 2014-15, with the remaining modules for Olive View-UCLA Medical Center, Rancho Los Amigos National Rehabilitation Center, and High Desert MACC completing by the end of FY 2016-17.

The Chief Executive Office will return to the Board with recommendations for 10-year take-out bond financing, following consultation with the Treasurer and Tax Collector (TTC), at each of the two stages of module completions. Long-term debt service is projected to begin in FY 2016-17 and is estimated at \$31.0-\$32.0 million annually, gradually increasing to \$52.0 million by FY 2022-23. DHS will fully offset the debt service costs through FY 2017-18 with federal incentive payments for completion of the EHRIS and operating savings from its QuadraMed transition. Debt service in future years will be funded with additional revenues available due to the implementation of healthcare reform and implementation of a new waiver.

Appropriation and funding for the total FY 2012-13 EHRIS costs will be budgeted in the new Capital Project Special Fund being established for this purpose, and the funding for the 55 new positions and the SMEs will be transferred to the new DHS' EHRIS budget unit as needed for the cost of the 55 new positions and SMEs.

Appropriation and funding for the total of 86 positions (consisting of 55 new positions and 31 existing positions to be transferred within DHS to the new DHS' EHRIS budget unit), and the SMEs will be budgeted, and the corresponding expenses incurred, in the new budget unit that will be created in DHS specifically for these EHRIS costs of \$8.3 million. All other EHR costs will be budgeted and expended through the new Capital Project Special Fund.

Reimbursement Resolution

The enclosed reimbursement resolution provides the ability for DHS to initially fund EHRIS expenditures using existing operating budget appropriation and subsequently reimburse those funds using commercial paper proceeds. Though projected EHRIS payment requirements indicate that system expenditures will all be directly funded with commercial paper proceeds, the reimbursement resolution will provide additional budgetary flexibility.

Implementation of Strategic Plan Goals

The recommended action supports Fiscal Sustainability (Goal 2) of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

Approval of the recommended actions will enable the County to implement the new \$359.0 million EHRIS. The system development expenses will be spread over a five-year period, initially funded with Commercial Paper and ultimately through the issuance of long-term bonds. The CEO will return to the Board, with TTC, with long-term bond issuance recommendations following completion of the first stage modules, expected by the end of FY 2014-15. Long-term debt service is anticipated to start in FY 2016-17 at between \$31-\$32 million annually, increasing to \$44 million in FY 2018-19 and FY 2019-20, and to \$52 million in FY 2021-22, with the increases reflecting the layering in of debt service from both bond issuances.

DHS will fund annual interest and administrative costs on the Commercial Paper and fully offset bond debt service in FY 2016-17 and FY 2017-18 with federal incentive payments and operating savings from its QuadraMed transition. Debt service in future years will be funded with additional revenues available due to the implementation of healthcare reform and implementation of a new waiver.

Approval of the appropriation adjustment will increase revenue from Commercial Paper proceeds in the amount of \$67,870,000 and corresponding appropriation authority of \$59,618,000 in Services and Supplies in the EHRIS Capital Project Special Fund and will increase Salaries and Employee Benefits by \$5,833,000, and Services and Supplies by \$4,363,000 in the DHS EHRIS budget unit for the first fiscal year only of the total EHRIS cost. DHS will request appropriation and revenue allocations in subsequent fiscal years through the budget process as necessary in accordance with the EHRIS total cost and revenue implementation plan for each respective fiscal year.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Not applicable.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendation will enable DHS to commence with implementation of a centralized, standardized, enterprise-wide EHRIS, which will ensure that patients who seek services at any location within DHS will receive consistent care, supported by the same EHRIS across the entire care continuum.

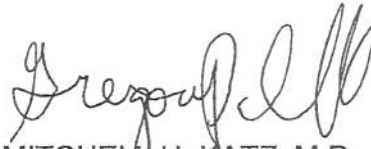
CONCLUSION

Please return one adopted copy of this Board letter to the Chief Executive Office, Capital Projects Division; and to the Department of Health Services.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer



MITCHELL H. KATZ, M.D.
Director, Department of Health Services

WTF:MHK:RLR
DJT:SW:PB:zu

Attachments

- c: Executive Office, Board of Supervisors
- County Counsel
- Auditor-Controller
- Treasurer and Tax Collector

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPT'S. NO. 060

DEPARTMENT OF CHIEF EXECUTIVE OFFICE

December 4, 2012

AUDITOR-CONTROLLER:

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2012-13

4 - VOTES

SOURCESUSES

BA DETAIL - SEE ATTACHMENT

BA DETAIL - SEE ATTACHMENT

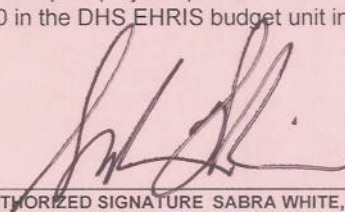
SOURCES TOTAL: \$ 78,066,000

USES TOTAL: \$ 78,066,000

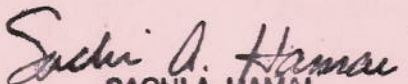
JUSTIFICATION

This adjustment is necessary to increase revenue from Commercial Paper proceeds in the amount of \$67,870,000 and corresponding appropriation authority of \$59,618,000 in Services and Supplies in the EHRIS capital project special fund and increase Salaries and Employee Benefits by \$5,833,000 and Services and Supplies by \$4,363,000 in the DHS EHRIS budget unit in order to fund the costs of first fiscal year of the total EHRIS cost

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES


AUTHORIZED SIGNATURE SABRA WHITE, MANAGER

BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED OR REVISED)


SACHI A. HAMAI
EXECUTIVE OFFICER

REFERRED TO THE CHIEF
EXECUTIVE OFFICER FOR --☐ ACTION☒ RECOMMENDATION

AUDITOR-CONTROLLER

BY 

B.A. NO. 055

Dec 6 20 12

☒ APPROVED AS REQUESTED☐ APPROVED AS REVISED

CHIEF EXECUTIVE OFFICER

BY 

December 6 20 12

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
BUDGET ADJUSTMENT
FISCAL YEAR 2012-13
4-VOTES

SOURCES

Electronic Health Record Information System (EHRIS) Fund
J16 - HE - 96 - 9876 - 50106
Commercial Paper Proceeds \$ 67,870,000
Increase Revenue

Health Services-Electronic Health Record Information System
A01 - HS - 96 - 991A - 19976
Operating Transfers In-CPP \$ 8,252,000
Increase Revenue

Health Services Administration
A01 - HS - 1000 - 20000 \$ 1,944,000
Salaries and Employee Benefits
Decrease Appropriation

TOTAL SOURCES \$ 78,066,000

USES

Electronic Health Record Information System (EHRIS) Fund
J16 - HE - 2000 - 50106
Services and Supplies \$ 59,618,000
Increase Appropriation

Electronic Health Record Information System (EHRIS) Fund
J16 - HE - 6100 - 50106
Other Financing Uses \$ 8,252,000
Increase Appropriation

Health Services-Electronic Health Record Information System
A01 - HS - 1000 - 19976
Salaries and Employee Benefits \$ 5,833,000
Increase Appropriation

Health Services-Electronic Health Record Information System
A01 - HS - 2000 - 19976 \$ 4,363,000
Services and Supplies
Increase Appropriation

TOTAL USES \$ 78,066,000

BA# 055 KShilume 12/6/12

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

6

JAN 22 2013

Sachi A. Hamai
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EXECUTIVE OFFICER